

FINANCIAL ASSISTANCE COMPONENT, CDFI PROGRAM
POLICY CLARIFICATION NOTICE, FY 2003
Use of Retained Earnings for Insured Credit Unions

On February 4, 2003, the CDFI Fund published its Notice of Funds Availability (NOFA) for the FY 2003 funding round of the Financial Assistance (FA) Component of the CDFI Program (68 Federal Register 5738). The CDFI Fund is issuing this notice to clarify the following NOFA-related issues:

Retained Earnings/Insured Credit Unions:

Calculation of retained earnings that are eligible to serve as matching funds for a FA award: The CDFI Program regulations, revised and published on February 4, 2003 (68 Federal Register 5704), state that, in the case of an insured credit union, retained earnings that may be used for matching funds purposes for a FA grant must consist of: (i) the increase in retained earnings that have occurred over the applicant's most recent fiscal year; (ii) the annual average of such increases that has occurred over the applicant's three most recent fiscal years; or (iii) the entire retained earnings that have been accumulated since the inception of the applicant.

If option (iii) is used, the regulations state that the assistance agreement will require, among other things, that the awardee increase its member and/or non-member shares by an amount that is set forth in the applicable NOFA. Further, such increase must be achieved within 24 months from June 30 of the calendar year in which the applicable application deadline falls (12 CFR 1805.504(d)(4)(i)(A) – (B)).

For purposes of the FY 2003 NOFA, that amount is equal to the amount of retained earnings that is committed as matching funds. For example, if the insured credit union applicant is approved to receive a \$250,000 FA grant, and it desires to use retained earnings as match for the grant, the amount of member and/or non-member shares that must be raised is \$250,000. The amount of member and non-member shares must be raised by June 30, 2005.